HOMEOWNERS TAX REFORM COMMISSION

A meeting of the Homeowners Tax Reform Commission was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, 725 Veterans Memorial Highway, Smithtown, New York, on May 30, 2006.

MEMBERS PRESENT:
Legislator William Lindsay • Chairman/Presiding Officer
Legislator Lynne Nowick • Co•Chair/District #13
Daniel Bahr • Member/NYS United Teachers
Celine Gazes • Member/NYS Government Officers Association
Dr. Pearl Kamer • Member/Long Island Association
Lisa Tyson • Member/Long Island Progressive Coalition
Nicholas LaMorte • Member/CSEA Region 1 President
Dr. Robert Lipp • Member/Legislative Budget Review Office
Joseph Sawicki • Member/Suffolk County Comptroller
Bryan J. Monaghan • Member/Town Assessor
Michael Bernard • Member/Suffolk County Assessor's Association
Patrick Byrne • Member/County Executive Representative
James Kaden • Member/Nassau•Suffolk School Boards
Gary Bixhorn • Member/NYS Council of School Superintendents
Thomas Kohlman • Member/President • CEO Suffolk County National Bank
Robert King • Member/CPA, MBA, CVA

Melvyn Farkas • Member/Long Island Board of Realtors

ALSO IN ATTENDANCE

Terrence Pearsall • Chief of Staff to Presiding Officer Lindsay
Kara Hahn • Press Secretary to Presiding Officer Lindsay
Sean Bergin • Regional News Network
Kirk Cronk • Town of Babylon Resident

MINUTES TAKEN BY:

Lucia Braaten • Court Stenographer

[THE MEETING WAS CALLED TO ORDER AT 9:57 P.M.]

CHAIRMAN LINDSAY:

Good morning, everyone. Thank you for being so prompt and we're going to start right on time. I know we have a couple of Commission Members that are going to be a little tardy this morning, but I intend to move forward, because we have this standing room only audience this morning. But Dr.

Kamer is going to give her presentation this morning, right?

DR. KAMER:

Right.

CHAIRMAN LINDSAY:

Okay. So I'm looking forward to that. So why don't we start by rising to our Pledge to the flag.

(Salutation)

Before we start talking •• before we start listening to Pearl this morning, does anybody want to make any comments on the public hearing, or any questions about where we are or •• nobody? Okay. Just, you know, so you can kind of get a glimpse of where I think we're going with the whole thing is this meeting I'm looking forward to Pearl's analysis of this whole problem, and the next meeting we have Harvey Levinson from Nassau County coming in, who's very vocal on this issue and has a whole idea of where it should go, as well as I think, Lisa Tyson, you're going to make some sort of presentation at the same time the next •• the next working meeting?

MS. TYSON:

Well, we want to bring in Frank Mauro ••

CHAIRMAN LINDSAY:

That's fine.

MS. TYSON:

•• but I need to know the date, then, to ••

CHAIRMAN LINDSAY:

Well, it's the next meeting; all right?

MS. TYSON:

Okay.

CHAIRMAN LINDSAY:

If you don't have the schedule, I'll get you ••

MR. BERNARD:

June 28th.

CHAIRMAN LINDSAY:

June 28th? No, that's •• no, that's the public hearing. When is our next working meeting?

MR. BERNARD:

No. It's three o'clock on that day ••

LEG. NOWICK:

It's the same day, isn't it?

MR. BERNARD:

•• and then six o'clock.

LEG. NOWICK:

Yeah.

CHAIRMAN LINDSAY:

I see. Okay, okay. And then I thought that, you know, we would start refining some of our thoughts, certainly, about what would need to be done if an income tax was to replace the property tax. And then I was hoping to go from there into other forms of taxation, either as freezing the property tax or replacing part of it. Yes, sir.

MR. BIXHORN:

Well, we have ••

CHAIRMAN LINDSAY:

You have to talk into the mike, though, because the recorder, that's the best way she can hear us clearly.

MR. BIXHORN:

Would it be possible to arrange to have somebody with some expertise come in and talk to us about STAR and the impact of STAR on property taxes?

CHAIRMAN LINDSAY:

Absolutely, absolutely. If you check with my office, maybe the meeting after the 28th we can arrange that.

MR. BIXHORN:

I think it's an important issue, because, you know, from the school perspective, whenever we start talking about taxes and State aid and the dynamics of school finance, you know, STAR tends to be a major factor that most people don't understand how it •• how it fits into the mix, and it really plays a very significant role in people's local taxes.

CHAIRMAN LINDSAY:

Well, in •• I've had a number of discussions with Mr. Levinson about this issue and he has a global approach to this whole thing and STAR is a big factor in that, in that, you know, he thinks if the •• if the property tax was removed on school taxes, he doesn't want to lose that STAR component from the State, he wants that added to the State formula to •• the subsidy that comes to each school district, you know.

MR. BIXHORN:

Well, maybe after his presentation ••

MR. KADEN:

There's the misnomer right there.

MR. BIXHORN:

Well, okay. I'll defer. No, I was just going to say, maybe after his presentation, we see the amount of focus he places on STAR, then decide if it's further •• if it's necessary to get some further information. But I think it's important that we deal with it at one point or another.

CHAIRMAN LINDSAY:

Absolutely. Did you want to add to that?

MR. KADEN:

I only wanted to add that STAR is not money that flows to school districts, and that's part of the issue, and I think that's part of what Gary wanted to bring out.

CHAIRMAN LINDSAY:

Well, I'm aware of that. But what Mr. Levinson in this process •• you know, it's a subsidy that goes to homeowners to relieve the property tax burden, but suddenly we don't want that to become a big, if we •• a windfall to the State, that they suddenly have all this loose change. We still want it to be used as a method to make the whole process work here in Nassau and Suffolk County. Yes, Bob.

MR. LIPP:

I think what we have to do is look at the current property tax system, regardless of whether we're going to make a change or not, because there •• for instance, if we don't make a change, clearly, we would want to look at how to tweak the property tax system. STAR would be part of it. Also to different exemptions that exist currently would be part of it. So we could speak to how that should or shouldn't be changed. And, of course, you know, even if you wanted to replace the property tax, that should not be dismissed. You know, you still need to look at those issues and see what works or doesn't work with the current system, what you should keep or throw out.

CHAIRMAN LINDSAY:

Lisa?

MS. TYSON:

Frank Mauro is an expert on STAR, so when he comes down, he can address all of those issues, because he really understands the State numbers and all the impacts of it.

CHAIRMAN LINDSAY:

Anybody else want to make any comments? I'll turn it over to you, Pearl.

DR. KAMER:

Okay. Is this mike on?

CHAIRMAN LINDSAY:

No. The button is on the top.

DR. KAMER:

Hello. Got it. I'm going to pass out some of the numbers and you might want to follow along. This was done several months ago. We did it for both Nassau and Suffolk, but I will be presenting the Suffolk numbers to you today.

Let me begin by saying that the issue of how we finance our schools is extremely complex, and the analysis that I will be describing today attempts to answer only one question related to school finance, namely what would happen if the residential portion of the school residential property tax were converted to an income tax; more specifically, who would benefit and who would lose. Presumably, such a tax, such an income tax would be piggy •backed on the existing State income tax and distributed to local school districts based on some agreed•upon formula.

Now I want to start by telling you what this analysis doesn't do. It doesn't address the question of how the revenues would be distributed, it doesn't get into the formula, nor can we ignore other issues such as inequitable State aid formulas that rob us of our fair share of State aid, because this feeds into why the property tax has become so onerous.

We also have to address unfunded mandates that have imposed severe financial burdens on local school districts. A full discussion of educational finance also has to address the issue of school consolidation. For example, would today's property tax burdens be mitigated if there were only one school district in Suffolk County?

Another issue, whether Suffolk taxpayers are receiving educational value for their tax dollars, nor is switching from property tax to an income tax a panacea for the ills of school finance. For example, the income tax is much less stable as a source of revenue over the course of the business cycle than the property tax is. Property values are slow to change over time, while personal incomes can decline very sharply during a recession when unemployment rises. You also have to consider that switching to an income tax can have serious and unintended consequences. High income individuals and households could very well vote with their feet and leave the area, taking with them their considerable purchasing power. Those who reside elsewhere and have second homes on Long Island, and this is very common in eastern Suffolk, as you know, currently pay property taxes. But, if we were to switch to an income tax, these second homeowners would pay tax out of their primary residents and they would fall through the cracks as far as Suffolk County is concerned.

So each of these issues requires a study in and of itself, but today I will focus on one issue, who would benefit and who would lose if we were to shift the residential portion of the school property tax to an income tax.

First, I want to give you a few caveats which we put forth in doing this analysis. You talked briefly about STAR today. In this analysis, it was assumed that STAR revenues, which would disappear once schools are no longer funded by the residential property tax, but that STAR resident •• revenues would continue to be assumed by the State, but would be remitted to individual school districts in the form of additional State aid. So, Bill, in answer to your question, we wouldn't lose them. The analysis is revenue neutral, that is the amount of school taxes to be generated by the income tax would be identical to the amount currently raised by the residential portion of the real property tax. And we knew the residential portion of the real property tax for schools, because we actually had 2004•05 school year residential school property taxes in Suffolk by district, so we knew how much we would have to raise, and for your information, it was 1.85 billion dollars as of the '04•'05 school year.

Now, let's start with the first page of your handout. We obtained median household income for every school district in Suffolk County from the 2000 census, and this is as of 1999. It came from the National Center for Educational Statistics. They did a special tabulation for every school district in the country based on the 2000 census. So, whereas we had income, median income by town, by village, they converted it to school district. These income figures were increased by 21.9% to reflect the increase in the New York regional consumer price index between 1999 and September 2005, and that's how you get the second column estimated 2005 median income.

The third column, the old income tax paid, we derived as follows: We knew what Suffolk residents paid in terms of personal income tax as of 2002 from the New York State Department of Taxation and Finance. Now you might say 2002, that's a trailing year, but the truth is, in economic analysis, such a trailing year is not a problem, because incomes on average are fairly slow to change over time. We knew that in 2002, and this is official data from the State, Suffolk residents paid 1.7 billion in personal income tax. The average tax rate as a percent of adjusted gross income was about 4.47%. So we applied that 4.47% to their current income and we come up with the old income paid per household. We knew we had to raise 1.85 billion, and that would push Suffolk's personal income tax rate to 9.41%, and you see that in the next column. Again, that was applied to get the per•household income tax. So we had the old income tax estimates, the new income tax estimates. We know the number of households in 2000. We multiplied the number of households by the old income tax paid to get the next column and by the new income tax paid to get the column to the right. So we had the current income tax paid per school district under the old rate, 4.47, and under the new rate, 9.41. We were able to take the difference in income tax under the old rate and under the new rate for every school district in Suffolk County. As I said, we also had the actual residential school tax for the '04•'05, and we were able to compare the increase in income tax with the residential school tax, which would, of course, disappear.

As you can see from the final column to the right, taxpayers in some school districts would do better under an income tax and some would do worse. For example, property poor school districts, such as Brentwood, would raise more money under an income tax than under a property tax. Property rich districts, such as East Hampton, would raise more money under a property tax than under an income tax. The major flaw in this methodology is that we applied an average 9.41 tax rate across all school districts, when, in fact, the impact of an income tax on individuals would vary widely, depending upon current income versus current level of property wealth. For example, those with low current incomes and high current property wealth would obviously fair better under an income tax and seniors would fall into this category. Those with high current income and moderate property wealth, there are people who live below their income, I don't know too many of them right now, but they are around, they would fair better under a property tax. And the outcome for those with low incomes and low property wealth or high incomes and high property wealth would be mixed.

So the big problem with Page 1 of your handout is that it really didn't show how individual households would be affected. So to estimate these effects, we did some hypothetical studies, and that's on your next page, for two Suffolk school districts, namely East Islip and Three Village. And here one day I took a dart board and I said, "Let's assume East Islip Household 1 had adjusted gross income of 40,000 and a full value assessment on their residential property of 125,000. Then I went up to Household 9, who had 130,000, and had property valued at 550,000. I did the same thing for Three Village. I applied actual tax rates, and you can see from the column to the right some households would do better under an income tax and some households would be worse.

The only thing I can conclude from this analysis is if the effect would be mixed, that we can come to some certain generalizations, but we cannot really do a finite analysis that would be needed before we decided to jump to an income tax, because we don't have income tax and property value data for individual households, nor should we. This data is suppressed to avoid disclosure. Otherwise none of us would pay income tax, etcetera, etcetera. However, there are State agencies that have this data in•house and, if pressed to do so, could probably do a more finite analysis without revealing data that should be suppressed.

So we took it as far as it could go and these are our conclusions. If you have any questions, I'd be happy to try to answer them, Bill.

CHAIRMAN LINDSAY:

I'm sure you generated a lot of questions. I know Legislator Nowick ••

LEG. NOWICK:

It just want wasn't a question. I wanted to keep following along and I •• the parentheses, parentheses, are those the ones that do better with the income tax?

DR. KAMER:

Well, take a look at the first parenthesis on Page 2. The addition to the income tax would be 2470. The residential property tax raise is 2672. They would do better under an income tax, because the property tax raises more money for this particular household. On the other hand, look at Household Number 1. The income tax would raise 1976. That's the additions, and the property tax raises 1758. This household is better under the property tax, because it would pay more income tax. That's how you would interpret this.

LEG. NOWICK:

Thank you.

DR. KAMER:

You're welcome.

LEG. NOWICK:

Sorry to interrupt you.

DR. KAMER:

No problem.

CHAIRMAN LINDSAY:

Bob Lipp has a question.

DR. LIPP:

Pearl, I know you mentioned before, but I did not quite understand. Could you quickly go over what the assumption was so that you would wind up with, for instance, the higher •• in some cases, higher income households doing better with the property tax and lower income households doing worse? I didn't quite follow.

DR. KAMER:

Which assumption are you talking about?

DR. LIPP:

Well, how you got for different, you know, income classes, I guess. You have a combination assumption of income and property values that you ••

DR. KAMER:

On Page 2?

DR. LIPP:

Yeah, that you wind up with different results in terms of like some of the wealthier districts, I guess, wind up doing better with the property tax and the poorer with an income tax.

DR. KAMER:

Right.

DR. LIPP:

I'm not sure I understand why.

DR. KAMER:

Well, the addition, if we're on Page 2 of your handout, the added tax rate would be 4.94%. That's what you would add under the current rate. What page are you looking at, Bob, first or second?

DR. LIPP:

I guess the first page.

DR. KAMER:

Okay.

DR. LIPP:

It seemed like you were saying that the poorer districts wound up doing, like Brentwood, wound up doing •• I'm having trouble following across. I'm a little dyslexic here.

DR. KAMER:

You need a ruler, really.

DR. LIPP:

Yes. Wind up doing I believe better with a property tax.

DR. KAMER:

Let's take Brentwood as an example, as I'll go through it with you. The median income as of 2005 was 71220, estimated. The old income tax rate for the County as a whole was 4.47%. I got that from Taxation and Finance. We applied that to the median income of 71220 to get an individual household income of 3184. That would be the estimated income tax household with this income paid. Okay. We had to raise 1.85 billion. That was the property tax that was paid in the '04•'05 school year. To raise that across the whole County, your new income tax rate would be 9.41. I applied 9.41 to the 71220 to get 6702 per household. The number of households in Brentwood School District was 18810. I multiplied 3184, the old income tax, by 18810 to get presumably what they paid in that district in current income taxes. I multiplied 18810 times 6702 to get the 126 million, which is what this district would pay in new income tax. I subtracted 59.8 million from 126.1 million to get the increase in income tax of 66.1 million. The actual residential school property tax in '04•'05 was 44.6 million. Therefore, under an income tax, more would be raised than under a property tax in this school district.

CHAIRMAN LINDSAY:

Go ahead.

DR. LIPP:

I guess my confusion is Brentwood's relatively poor. Their property values are low also, so they don't raise much with their tax base. I'm not sure what the commercial is. But since you're •• since they're poor, they •• you know, the income also is not going to generate in theory with that tax rate a lot of money. So I'm a little confused as to why ••

DR. KAMER:

In theory, because I applied the same CPI increase to bring their income from 58425 per household to 71220 per household, as I applied to every school district in the County. This assumes that the people living in the Brentwood School District got raises at the same rate as everybody else in the New York region, because I'm using the regional CPI.

DR. LIPP:

Right. I guess my confusion, though, is, and I understand that, and I don't • • it doesn't bother me, that assumption, because it's hard to figure out anyhow, but •• although I guess you could make an adjustment if •• well, whatever. I guess my problem is I know they're •• it's a low property value area, but I also know it's a low income area. I'm not •• I would think actually that the high •• the wealthier areas, even though they're multi•million dollar homes, you know, you're going to get multi•million dollar incomes also. It's just not clear to me that you would •• you'd be •• actually, you're saying you're a loser under an income tax in a poor neighborhood, aren't you? Isn't that what the bottom•line result is here?

DR. KAMER:

People would regard •• yeah, because you'd raise more money under it, but the school district is a winner.

CHAIRMAN LINDSAY:

Before I •• just a clarification, though. Let me see if I'm following this right. Going back to the old income was 3184.

DR. KAMER:

Per household.

CHAIRMAN LINDSAY:

Per household, and the new is 6702.

DR. KAMER:

Right.

CHAIRMAN LINDSAY:

Right.

DR. KAMER:

New income tax.

CHAIRMAN LINDSAY:

So, at first blush, it looks like an increase of $3600 or $3500 and change, or something like that.

DR. KAMER:

Right.

CHAIRMAN LINDSAY:

But there is no property tax on the house, then.

DR. KAMER:

What do you mean?

CHAIRMAN LINDSAY:

Well, if the income tax replaces the school property tax ••

DR. KAMER:

Right.

CHAIRMAN LINDSAY:

•• although the income tax goes up by $3500.

DR. KAMER:

They lose the property tax.

CHAIRMAN LINDSAY:

They lose the property tax.

DR. KAMER:

And that's shown in the last three columns. The increase in income tax is 66.1, and you're losing 44.6 in property tax, so the income tax would be raised 21.5 million more than the property tax.

CHAIRMAN LINDSAY:

I know, but I'm just focusing on the average individual household, and my remark or my comment is I •• you know, it depends on what I'm paying in property taxes, but $3500 is not •• is a very affordable property tax in almost every community I think in Suffolk County. So although, at first blush, that looks like we just doubled the income tax, if you're taking the property tax out, it's probably a good deal.

MS. GAZES:

And you're only taking away the school portion of the property tax.

CHAIRMAN LINDSAY:

That's true, but ••

DR. KAMER:

You're not taking the total.

CHAIRMAN LINDSAY:

Okay. But even so, that's •• you know, I know school property taxes, I pay more than 3500 in school property taxes, you know. I'm going to go over here first. Yes.

MR. KADEN:

Yeah. The only comment I wanted to make on why it looks different in Brentwood, I believe, is because you're using a flat tax rate.

DR. KAMER:

Right.

MR. KADEN:

And, really, in low income areas, they're going to show a much higher percentage of money made on that rate, and the wealthy areas, it would be the opposite effect, so ••

CHAIRMAN LINDSAY:

Well, there's a lot of other factors that we'll get to in a minute, but let me just hear everybody.

MR. KOHLMAN:

What I'm concerned about, using the income tax, large wage earners have an ability often to defer and to offset ••

DR. LIPP:

That's a good word, defer.

MR. KOHLMAN:

Does that factor into it?

CHAIRMAN LINDSAY:

Okay.

DR. KAMER:

I think it's a very important factor. I think •• first of all, I'm convinced, if we did it on a single county or a bi•county basis, going to an income tax, I think you would lose some of your higher wealth households. I simply think they'd move somewhere else, Westchester, or at least, if they stayed here, somehow their primary residence would walk.

MR. KOHLMAN:

Or they wouldn't report income as income.

DR. KAMER:

Right.

CHAIRMAN LINDSAY:

Did you have a comment?

MR. KING:

Yeah. That last column has me confused. If I live in Brentwood, it indicates that it would go up twenty•one•thousand•five•fifteen•one•fifty. What does that number mean?

DR. KAMER:

That is the excess of income tax over property tax that would occur in the Brentwood School District if you switched the residential portion of the property tax to an income tax, assuming the tax rate for that district would be 9.41%. That's the hole in this analysis. We have to assume a County •wide tax rate, because we don't have an individual tax rate for every school district.

MR. KING:

What would this mean per household?

DR. KAMER:

Well, if you're looking, and Bill brought this up, if you're looking on a per household basis, and let's stay with Brentwood and assuming these rates, your per household income tax would go from 3184 to 6702.

MR. BYRNE:

I did the math on that. It looks like it's about $334 increase per resident.

DR. KAMER:

Right.

LEG. NOWICK:

For income tax.

DR. LIPP:

I think I know what bothers me.

MR. BYRNE:

That's the net increase.

MR. KING:

Thank you.

CHAIRMAN LINDSAY:

Through the Chair, go ahead.

DR. LIPP:

Okay. I'm not sure, but I think I have an idea of what's bothering me. I've heard •• I've heard stories about why income tax might be better in the past, but I never did the analysis and I think this relates to this. In poorer school districts like Brentwood, you have a lot of people that rent, okay, and you have like your son, daughter lives at home with you, you know, that's working, but, you know, if they don't live at home, God help them, or maybe God help you, I don't know. Anyhow, so you have a lot of income taxpayers that are not property owners. Okay? So, as a result, when you pick up an income tax, guess what happens? All these relatively poor people wind up being taxed. You generate more money.

DR. KAMER:

Yeah, that's probably ••

DR. LIPP:

Is that equitable? I don't think so. Is Brentwood School District better off? Maybe the school district.

DR. KAMER:

But not the people.

DR. LIPP:

But in terms of equity, the people are worse off. Here is a case of unintended consequences. While it is a fact that the income tax is progressive, if we started the world from scratch and we did something like this, perhaps an income tax would be a great idea, but it's going to be highly inequitable, so say these numbers, unless I'm missing the point.

CHAIRMAN LINDSAY:

Well, first of all, there is •• you know, at first blush, the income tax looks like a very viable thin. There's a lot of problems to it. I think a lot of the problems can be solved, if you really wanted to tweak it.

DR. KAMER:

I think the problems could be solved if we did it on a statewide basis, collected by the State, piggy•backed on the existing state tax and distributed to every school district in the state based on a combination of need and whatever the formula is.

CHAIRMAN LINDSAY:

Well, that's the problem with the formula, that's where we start off with. The formula is so convoluted and has been changed so many times over the years. I don't think there's too many people that understand it anymore.

DR. KAMER:

No. And I think we have to do something about the inequities in the formula as regards Long Island. But, if we're talking about switching one county or even two counties to an income tax, you're going to have a host of unintended consequences.

CHAIRMAN LINDSAY:

Well, I honestly believe that I think the public would be very suspicious if the State was to collect a tax, for example, that the tax wouldn't be used in another area of the state, taking more money out of this region and poured into another region to finance the schools.

DR. KAMER:

Well, you could avoid that by ensuring that whatever is raised in Suffolk County comes back to Suffolk County. That could be part of the safeguards. And then within Suffolk County, we would have to decide on a distribution formula, but that's another issue. The question is does the income tax have enough merit, considering some of its unintended consequences, that you want to pursue this line of reasoning, or would you better •• be better off looking to remedy some of the inequities in the existing property tax, and I think that has to be the focus of this committee. Is there enough merit to the concept of an income tax? And I am very, very concerned. I think Bob Lip hit it on the head as to why these numbers come out that way, and they are based on reality. We did get census income data for 1999 and we did update it reasonably. I think we would lose your second homeowners out east who pay considerable property taxes now. I'm not at all convinced that more people would benefit than would lose if you did switch to an income tax. So I think you have to at least consider the possibility of remedying some of the really horrendous defects in the residential property tax.

CHAIRMAN LINDSAY:

Someone had a comment over here?

MR. BIXHORN:

Pearl really answered my question before I asked it about, you know, the •• if Suffolk County were to do business in a fundamentally different way than every other county in the state, would it be feasible •• is it feasible to consider that? And I think she just answered the question no. But I do have to •• I do have to comment, and I think Pearl's right on the money with looking at the bigger issues of school finance in general and how property tax fits into the larger picture. We've done a lot of work over the years with the LIA and looked at, you know, the State share of funding and the equitable treatment of Long Island through the formulas, and what we've found is, you know, just going on a straight proportional share of funding coming down to match the proportion of students we have in the state, we're being seriously, seriously underfunded. And if we were just to reach the proper proportion of funds from the State, we'd be bringing down probably an extra six or seven hundred million dollars. And if you look at that against the total amount raised by property taxes, you'd see a significant reduction in the amount of funds that have to be raised just by bringing in more State aid and, obviously, State aide's funded by income tax. So all these things are related, but I think Pearl's right on the money in terms of looking at •• looking at the income tax as a •• as a solution to the problem on a county•wide basis rather than a statewide basis.

MR. BERNARD:

I have a question, Bill.

CHAIRMAN LINDSAY:

Lisa.

MS. TYSON:

I think one thing to look at is designing circuit breakers into the system for low income people. I mean, of course they would pay more because they do rent, but you would just build a circuit breaker in that so they wouldn't be paying more, or their tax liability would be much smaller, which is what we do traditionally with •• you know, with a progressive income tax, where people with lower incomes pay lower percentage of the income tax. And you can even build more into that, so people in Brentwood would not be harmed. At the end of the day, it's the landlord who is still paying that property tax and then pushing that property tax liability on to the renter and it's very high and that creates very high rental rates, part of our affordable housing problem.

I think the other piece is the second homeowners and, you know, there is a way, just like putting a circuit breaker in, there is a way to make sure that the second homeowners do pay their fair share. We can continue to have the property taxes for them. And then all of these numbers would be changed as well, because there would be additional income coming into the system.

So, you know, I think, when we look at this chart, you might say, "Wow, maybe the income tax is not the way to go," but when we •• like every other tax system, they're very detailed. There are so many •• so much •• so many things that could be done to it that you just can't say it's not a good idea because it's too difficult to get to. We really have to take that burden of really understanding it and figuring out what are the things that would make it work. And then once it's a perfect system, something that we really could work, is that what we want to implement in this county and in Nassau County, and then if we do, will other areas do it as well, if it does work.

MR. BERNARD:

Bill.

CHAIRMAN LINDSAY:

Yes.

MR. BERNARD:

I guess a lot of this doesn't factor in the commercial property tax that would probably stay •• stay in place with this and that would really show what a bottom line effect would be. So in those districts that may be poor in income may be very rich in commercial property, such as some of the western areas or the western area school districts which may make up that bottom line number to the respective school budgets.

DR. KAMER:

Well, this analysis held the current nonresidential property tax system constant. There were no changes. I think one of the things we have to do is look at pooling commercial tax revenues across school districts and remitting to individual districts based on some measure of need, and this would solve a number of developments. All of you are familiar with the Four Corners area of Suffolk where we have all of this development going in, the Pilgrim State property, where a city is being proposed, the new Tanger Mall, etcetera. I think you would avoid circumstances where each town tries to garner as much commercial development as possible if we had some tax base sharing of the commercial portion of the property tax, but this study did not go into that. We had enough to deal with just looking at some of these numbers, because it was very hard to get at some of this data. But I don't think it gives us a definitive answer. And again, I think it's totally unworkable on a one•county or a two•county basis. However, we will have a change of administration in Albany, and one of the recommendations this commission might consider is talking to the new administration and proposing statewide changes in school district finances.

MR. BERNARD:

Well, I'm not so sure that •• personally, I'm the Assessor for the Town of the Babylon, to give you a little background. I'm not so sure that I think that that's very equitable. There are tremendous property value changes in those •• you know, in residential property in those areas that have a high concentration of commercial property, industrial parks, and so forth. And because of the current system, ad valorem property taxation, a lot of the municipalities look to encourage that commercial growth through IDA's and economic development incentives, empire zones, to help ease the property tax burden on the residents. And as a result, their values have not seen the same appreciation as those lower commercial areas within the County.

DR. KAMER:

You're talking about residential property taxes have not gone up.

MR. BERNARD:

I'm talking about residential property values because of the amount of commercial properties within a given area, like the Four Corners area you mentioned.

DR. KAMER:

Right.

CHAIRMAN LINDSAY:

Dr. Lipp.

DR. LIPP:

Actually, Lynne ••

LEG. NOWICK:

No, that's okay. Michael, are you saying that the value of the homes in those areas, because there's commercial and industry around, the value of the homes in those areas go down?

MR. BERNARD:

Well, they're probably less than those areas that are not.

LEG. NOWICK:

Okay. But I must say, coming from the town I live in, I'd like to share in some of that commercial money, tax money.

CHAIRMAN LINDSAY:

Go ahead.

DR. LIPP:

Actually, I sort of agree in a certain sense with both Pearl and Mike, I think, but from a practical point of view. I don't •• I have trouble even if I •• even if I favored an income tax, and even if I favored the nonresidential property tax being regionalized, I don't see it happening from a practical point of view, and the reason is, for instance, let's say we all agree, just for simplicity, that the equitable way is to take nonresidential property tax and regionalize it; okay? You don't have to agree or disagree, just assume that it's right, the right thing to do. The bottom line is there will be haves and have•nots, and the have•nots will go crazy and they won't let it happen; okay? Reality, what a concept? Similarly, with an income tax, I think you'll have the same thing. The bottom line is when you're going to regionalize, it doesn't make the system more equitable unless it's a highly equitable redistribution formula. It's simple as that; okay? And what you're doing is you're making a big change to what you already have.

So what is the solution? Simple. Well, obviously, you know that I must be wrong if I say the word simple; okay? One potential solution is we had spoken about this as a group in our first meeting and we had spoken about it before we started the Commission, and it was even spoken to some extent in the public hearing, and that is to sort of spread the pain, okay, that is to sprinkle it among perhaps a few different types of taxes, number one. Number two, the only way you're going to regionalize anything is if you have a different new tax; okay? I'm not saying just a tax that adds to everything. Obviously, people will not be too happy with that. And I know that Bill Lindsay and Lynne Nowick won't. But, you know, you might •• that would be like a supplement, if you will; okay? And that extra piece is something that you would stand a chance of regionalizing, not we're taking away all of the commercial property from the Hauppauge Industrial area, the Hauppauge School District. That will kill the residential. So you need to be pragmatic about it, you can't simply take away.

DR. KAMER:

So, Bob, are you suggesting that we regionalize a portion of the commercial tax?

DR. LIPP:

No. I think that there'll be too much of a hue and outcry against it. I'm saying that we need to find another source, perhaps, what was it, a •• I was thinking ••

MR. BERNARD:

Prostitution tax.

DR. LIPP:

Yeah, prostitution tax, if you will. If you came to the public hearing, this woman recommended that we have •• we legalize prostitution, so I thought that was so cool. And don't get me wrong, I don't favor it, but I just thought it was hysterical. Anyhow, there are other taxes. There's a local lottery, potentially, that would be a difficult sell with the State, because we'd be muscling in on their action. There's a potential for use of sales tax for a County mortgage tax that could all be used as a new source of revenue to create sort of a regional pool of money. And then, of course, you need to speak to not just an add•on, but, rather, a restriction in some way of existing taxes or a reduction in some way of existing taxes, so it's not just a simple add•on doesn't •• so you can lower property taxes.

CHAIRMAN LINDSAY:

Before we go any further, I just want to point out something, that this isn't an easy problem, which you're getting the picture more and more. There is no simple solutions. But the system that we've evolved into now is far from perfect. I mean, if you just look at how we fund our student per pupil, it could vary by 100% from one district to another. If you look at how we raise the income in •• you could live across the street from someone and the tax rate could be •• could be a huge difference. If you look at how we send income tax to the State, and every year they go through this charade in Albany of taking bows of, "How much money I fought to bring back to the local school district," when, in fact, that was our money to start off with. And then the whole STAR program, which everybody's in love with, is, again, income that should have been brought back to the school districts to start off with.

The formula on how our individual school districts are funded, and I'm certainly no expert, I'm sure you guys are over there on my left, but, I mean, I don't •• you'd have •• you have to be some kind of wizard to figure out the formula. I don't think there's too many people in the Assembly and the Senate that is well versed on how the formulas have been developed. So we're starting out with a system that's broken, it's broken to start off with.

So, you know, I would like us not to take the philosophy of it can't be done. I mean, first of all, we don't have the authority to implement anything, but I think we certainly should have the vision to come up with something and let the State tell us it can't be done, or, you know, to come up with some other options, because what we have now doesn't work, folks. And as we go on year after year after year, you hear the plea from our citizens that there needs to be some relief here, because we're losing a very important segment of our population, and that's •• that's our young people that we need to keep our economy going in Suffolk County. And that's not to denigrate our seniors, it's very important that we have seniors here, but the young people is our economy, and if we lose that base of people, we're really in trouble here.

I just want to explore the income tax over the next two sessions, and then I will be happy to go into every other scheme and as many meetings as we have. And the reason for that is, of all the taxes we talked about, I think the income tax is the only one that's capable of replacing the property tax altogether. I don't think we could come up with enough scenarios to raise enough income with other forms of taxation to replace the property tax. We could probably freeze it or maybe reduce it a little bit, and my problem with that is the distrust of the public. If we implement a whole series of other taxes without removing a tax, they're saying this is a shell game. You know, in a very near period of time we're going to have these additional taxes and the property tax is going to go back up to where it was before. I think that would be the view, although I'm more than welcome to think about, you know, other forms.

The point that you made, Pearl, about the second home, in the east end districts, it would devastate some of the school districts if they came off the property tax roll. And I don't •• you know, I •• if we were to consider an income tax, I think it should only be to replace an owner•occupied property tax. I don't think you can do that. The high income, I think there would have to be a cap, that you wouldn't pay anymore than a certain amount of income tax, no matter how much money you make, or your wealthier families will walk with their feet, just like I think that you'd have to have some kind of minimum, because the underground economy of the people that make their money off the books and don't report income tax, you don't want them to escape scot•free and be the big beneficiaries of any kind of system. And the industrial commercial base, you wouldn't want them to pay income taxes, because I think it's too easy to •• for a corporation to claim a loss and not pay anything, and I think that they should remain in the real estate portion of the tax.

The sharing is an interesting concept, and if it can't be done totally, maybe it can be done partially as an equalization tool, so that •• so that individual districts don't get hit too hard, that there's some way that that could be blended in. And the other factor is who are you going to tax? All individuals, which would have to add a lot to the tax base, but in that process, you know, the primary breadwinner might pay a lot less by having the property tax removed, but if he has three or four other people working in the household, if you totaled up the income tax ••

DR. KAMER:

He might pay more.

CHAIRMAN LINDSAY:

Might pay more, yeah. But these are all interesting factors that •• yes.

LEG. NOWICK:

And you just hit upon the question. If you have the breadwinner in the household who owns the house paying income tax, because we spoke about owner occupied income tax, that would then mean that if you do have your two or three children living in the house making a salary, they would not then pay an income tax to fund schools, that would be just on the •• that would just be the person that owned the house.

MS. GAZES:

No, they would.

DR. KAMER:

No, they would.

LEG. NOWICK:

Well, that's •• this is a question, if it was just owner occupied ••

MS. GAZES:

It's only owner occupied that would lose the property tax, everybody else would retain their property tax.

LEG. NOWICK:

Well, that's ••

MS. GAZES:

And the income tax would be across the board.

LEG. NOWICK:

But, if it's owner occupied, then just the owner of the house pays the income tax. That's my question.

CHAIRMAN LINDSAY:

No.

LEG. NOWICK:

No. So then I have that wrong. So then everybody in the household that makes money would pay an income tax. So that's what we're talking about then possibly ••

MS. GAZES:

And it would only be owner occupied properties that would eliminate the property •• it would only be owner occupied properties that would lose their property tax.

LEG. NOWICK:

Well, yes, because only the owner gets the property tax bill.

MS. GAZES:

Right. But nonresidential and second home people would continue to pay a property tax.

LEG. NOWICK:

And then in a home that somebody owns and rents the downstairs in a legal two•family house, then the person that's living there, the renter would pay the income tax?

MS. GAZES:

(Nodded yes)

LEG. NOWICK:

They would, okay. So, then, if you have your children living at home, they would finally pay a portion of your expenses. Sounds pretty good.

MR. MONAGHAN:

What about a nonowner spouse?

LEG. NOWICK:

A nonowner spouse. Well, okay. You want to ask?

MR. MONAGHAN:

Yeah. What about a nonowner spouse, the property is in the wife's name, but the husband is working and not an owner? So you have dual •• you get real estate tax and the income tax?

MS. GAZES:

No. If the owner lives in the house, there's no property.

MR. MONAGHAN:

Nonowner spouse. Husband, wife, one's working, one's not. One's and owner, one's not.

CHAIRMAN LINDSAY:

We're really refining the questions.

MS. GAZES:

But the owner is still living in the property ••

LEG. NOWICK:

You still have to pay.

MS. GAZES:

•• regardless of whether or not they're the breadwinner.

MR. BERNARD:

That's going to be •• that will end up being some of the scenarios that will occur for probably local municipalities to enforce this, where people come up with creative ideas to get rid of •• you know, to eliminate both the property tax and the income tax. That's the perfect scenario.

CHAIRMAN LINDSAY:

Joe.

MR. SAWICKI:

Pearl, a question about the schedule, going back to the Brentwood School District, if I may, please, a couple of questions.

DR. KAMER:

Yeah.

MR. SAWICKI:

The third column, the old income tax paid, is that a calculated number, or is that actual •• is that an actual number from State tax in Albany?

DR. KAMER:

No, it's a calculated number. The number was calculated for the County as a whole, and that rate, based on adjusted gross income, was 4.47%, and that was applied to the estimated 2005 median income in Brentwood.

MR. SAWICKI:

So do you think that it's a pretty accurate number for us to rely on, considering we have a graduated income tax system.

DR. KAMER:

It's a ballpark.

MR. SAWICKI:

Okay. All right. Something to start with. Now, the second question regarding this, Pearl, when the last column reflects the difference between what would be raised ••

DR. KAMER:

Right.

MR. SAWICKI:

•• income tax versus residential••

DR. KAMER:

Right.

MR. SAWICKI:

•• you did not factor in any of the •• any of the property taxes which may be left on the tax rolls for commercial •• for commercial properties?

DR. KAMER:

No, because I didn't even look at commercial property taxes, I just looked at the 1.85 billion was the amount of residential property tax that has to be raised with an income tax.

MR. SAWICKI:

To make up entirely for what's raised now for school taxes.

DR. KAMER:

For the residential portion.

MR. SAWICKI:

Residential portion only. So you are going apples to apples, then.

DR. KAMER:

Yes.

MR. SAWICKI:

Okay. What is the total •• what is the net effect raised through income tax versus the current property tax? In other words, if you could total these.

DR. KAMER:

I didn't look at it. You'd have to add up the last column.

MR. SAWICKI:

Yeah. You don't have that figure ••

DR. KAMER:

No.

MR. SAWICKI:

•• off the top of your head? Okay. All right. Thank you, Pearl.

MS. GAZES:

It's zero, no? Isn't that the whole point.

MR. SAWICKI:

Bill and Lynne.

MS. GAZES:

And then county•wide you're raising the same amount.

DR. KAMER:

Right.

MR. SAWICKI:

Just a thought. Do you •• this is open to the entire committee •• commission. Do you think it would behoove us if we requested that one of the school tax formula experts, gurus, whatever we want to call them out of Albany, either out of the Senate side or Assembly side that really know these education formulas inside and out and how they're disbursed across the state. Would it behoove us to ask one of them to perhaps share with us the current method of, you know, taxation and also make themselves available for questions for us?

CHAIRMAN LINDSAY:

I don't think that would be a bad idea at all.

MR. BIXHORN:

I think it would be interesting to hear what they have to say, because, really, one of the issues with the formula that we've been focused on is that there really isn't a formula, because over the last five or six years, you know, the additional funding that has come to school has basically been apportioned in accordance with the formula that was in place, and, in essence, the formula has been frozen, additional funds have been come in •• have come in and just been added in some sort of proportional basis. So where so far our formula, and the formula that was initially flawed to begin with ••

MR. SAWICKI:

Right.

MR. BIXHORN:

We've jut gotten further and further off. So it might be interesting to get a status report from someone up there.

MR. SAWICKI:

Yeah. The last I knew it was, supposedly, I'm going back over ten years ago, but, supposedly, it was a combination of taxation on real property wealth and also along with some kind of taxation on your income.

MR. BIXHORN:

You know, one of the primary factors in the formula is something called the combined wealth ratio, and that factors in income wealth and •• income wealth per pupil and property wealth per pupil, and it's the major •• it's the major factor in terms of identifying the relative wealth of the school district.

MR. SAWICKI:

Because, you know, extrapolating from there, if we feel that we on Long Island are shortchanged 600 to 700 million dollars, I'd like to know where •• who's getting the benefit of that 600, 700 million. How does a similar school district to a Brentwood in Upstate New York, how do they fair, you know, comparing apples to apples, so •• and it costs •• I think probably New York City probably gets a big chunk of that difference anyway just by virtue of the political dominance in Albany of the City representation.

LEG. NOWICK:

That was a gentle way to put it.

CHAIRMAN LINDSAY:

Yes, sir.

MR. KING:

Can I •• Pearl, I just had a question for you. I wrote down one of your comments when you first started this analysis, that the income taxes and unstable revenue source, and I think all these gentlemen are hitting the point, that this is a pretty complicated calculation, what would happen if there •• if we reduced the property taxes and the revenue source was short in regard to the income tax? What would Suffolk County do in that situation?

DR. KAMER:

Our school tax •• our school districts would be in trouble. You'd have to find an alternative revenue source and you'd have to go back to the property tax.

MR. KING:

Thank you.

CHAIRMAN LINDSAY:

Lisa.

MS. TYSON:

In situations like that, having a contingency fund is •• a very important part of an income tax system is to have a fund in times of downturn, economic downturn when incomes are lower in a recession or something. I mean, you should have a rainy•day fund to be able to go to. And the other piece is about an expert on the school aid formula. Frank Mauro is an expert on the school aid formula. He's worked for the Assembly Ways and Means Committee for like dozens of years. I mean, I'm sure you know ••

MR. SAWICKI:

Yeah, I know the name, yeah.

MS. TYSON:

Yeah. I mean, he's an expert on this. Actually, right now, he's running all the school aid formulas and he knows them better than anyone else I know, and he really knows it all by heart. So my concern, though, is, is if you're going to ask him STAR, school aid formula and the income tax, you know, that's going to take up a big part of the meeting. And if Levinson's going to be there as well, you know, I would prefer to have Frank on before Levinson to make sure, because he's going to be coming down from Albany for the meeting, to make sure that he's really able to have enough time to go through this stuff.

CHAIRMAN LINDSAY:

Well, let me ask the Commission something. If this is an area that we wish to explore, would you want to have another meeting just devoted to this? Especially the school aid formula I'm really interested in. And I would think I would like •• if we were to decide to have another meeting, I would like to have it between now and the 28th for the simple reason we have a long spell here, and I know in July is kind of a tough month to catch everybody here.

MR. SAWICKI:

It probably would be.

CHAIRMAN LINDSAY:

Huh?

MR. SAWICKI:

It probably would be difficult to get any Albany people down at this closing month of session, though, right, Bill?

CHAIRMAN LINDSAY:

Right.

LEG. NOWICK:

Bill, is there a reason why they have to come ••

CHAIRMAN LINDSAY:

Well ••

LEG. NOWICK:

Oh, I'm sorry, go ahead.

CHAIRMAN LINDSAY:

What I was suggesting is that, you know, maybe we could move up either Levinson or Mauro to have him at the earlier meeting to free up some time for a later meeting to bring down someone from Albany as well, you know, so we don't have all these wonderful information providers all on the same day and not be able to adequately pick their brain.

MR. SAWICKI:

If we get into the school aid formula as it currently exists, it would probably take at least a good, you know, solid, long two•hour meeting to digest and understand and address our questions. Maybe a Special Meeting.

CHAIRMAN LINDSAY:

Someone else wanted to make a comment? Yes.

MR. KADEN:

Yeah. I just wanted to point out, as far as State aid formulas go, when they basically stopped using the formula every year to drive each district's numbers, there were forty•nine districts out of the seven hundred and something districts in the state that were on formula. So the formula has never really given adequate results of telling you how much aid you're going to get. And it has always come down to Legislators sitting there talking about what are called shares, and that their districts get the same shares or more share, they fight for shares, and then they divide it up basically amongst their things. There's a lot of small aid categories which were made to try to bring money to Long Island, and those you can try to understand or not. A lot of them are pay based, you have to spend money to get money. But I think all of the situations we have, we're talking about right now as far as this, are really equity or distribution issues rather than getting money to address Long Island. All the taxes we're talking about would again tax Long Islanders and doesn't address the basic issue of the fact that we're shortchanged right now.

New York City, you mentioned New York City, probably gets more money. New York City gets an equal amount of aid to the amount of pupils they educate. It's around 37 1/2% of aid and students educated. We're 4 to 5% below in the amount of aid we get for the amount of students we enroll. So whatever we do here, I think the primary focus of this commission has to be to attempt to address that inequity on the State level right now, because anything else you do is really only going to increase that inequity of amount of money we get versus what we're paying. You know, any other •• if you have a sales tax, you have a local income tax, all of that is still coming out of Long Islander's pockets, whether it's property. All you're doing is addressing distribution rather than addressing the problem. So I'd like to keep that in mind while we're talking.

And as far as, like I said, State aid formulas, getting people down to explain them, you could have someone explain here for days how they get money and I don't know that you'd be any better off when you're done with that discussion than you are right now as to how you're getting money and generating to school districts.

CHAIRMAN LINDSAY:

Okay. Let me throw another fly in the ointment. If we came up with the perfect formula to switch from a property tax to an income tax, although it could apply to any other taxes, what do we do with the process of our individual, our local school boards designing budgets and having to work to get budgets passed? If there's no •• if there's no pain on the local community and the •• would the school boards be free or the individual districts be free to spend money on anything that they want to spend it on? Lisa, you want to ••

MS. TYSON:

Yeah. We had talked about that awhile ago, because several years ago the same question was brought up, and there's different mechanism in handling that. One is, for an area, a school district like Great Neck, who wants to give a Cadillac education, they could still decide to do a property tax and bring it to voters, an additional property tax to be able to give a really good education to their students if they wanted to and they still could bring it to voters for a vote. If they wanted to have an additional tax on top of that, the voters could decide not to or could decide to do that. It's very important to keep school boards. I don't think •• you know, many •• it's hard. It would be a very hard way to go if we're going to say to abolish school boards and to do something like New York City. I am constantly on the phone with parents from New York City who are horrified that they have no accountability over the City system and they have no really a way to get into the education system and they don't have a voice within the system. It would be really difficult for us to say, "Let's abolish school districts." So we do not advocate that. We think there is •• •• school boards. We think that there is •• and districts. We think there is a need for both, but I think that has to be •• I think your concern is right, because if they know they're going to get the money, they can continue to raise the budgets, because they know they're going to get the money, and that has to be something that we really have to figure out. But it is something that we really have to make sure that there is still local control of the school and that there's local decision•making.

MR. KADEN:

My comment on that would be do you see that same thing in places that don't vote on their budgets? I mean, the County, are their budget expenses out of hand because they can get the money without votes, without the public's sentiment? No. The public always has a say in what goes on. I think •• I think you'd find that a lot of villages and towns and counties would be in trouble if people voted on their budgets as well, and I don't know that that is the overriding thing that keeps school budgets or expenses in check.

CHAIRMAN LINDSAY:

I'm not suggesting that it does, I'm just bringing up this topic of where •• I mean, what our local school boards do an awful lot is decide where the money is spent and how to raise the money off of the property tax, what is doable within that particular school district. And if the one part is removed, if the responsibility of raising the money isn't there, what role do we envision the school board playing in this process?

MR. KADEN:

I think that role is always there, though.

CHAIRMAN LINDSAY:

Okay.

MR. KADEN:

I mean, you're always going to be criticized for your expenses. I mean, whether you're actually levying the tax or not, the public still speaks against school board elections, they vote for school board members, they look at their taxes that are coming in on a local level. I think you would see some districts, if they had, would probably •• expenses would go up in several districts I lot, but I think that's an equity issue, not so much and out•of •control spending issue. I think there are districts now that are spending well below what •• on an equitable basis they should be spending, because their property taxes are too high and they're balancing that equation at sometimes in the wrong way. They're saying, "Too bad, we're just going to keep the expenses down to keep the taxes reasonable," and they should be spending more, and that's something I think that needs to be addressed as an equity issue. But, in general, I think there's many mechanisms that contain school districts from spending excessively, only one of which is the fact that you raised, the property taxes. I mean, the taxes are going to be raised by someone and I think the school boards are going to be held accountable for that expense by the public. And they're elected as well, so if you don't like what your school board is doing, you should be voting for new school board members.

LEG. NOWICK:

Just a couple of comments. The thought of the possibility of putting up a referendum to the public to possibly ask for additional •• for a school district that wants to give the Cadillac education and putting a vote to the public for a real property tax scares me to death, because what I've seen over the last ten years, or maybe more, and as I said, I've been a Tax Receiver, what I've seen is that the public doesn't even bother to come out and vote when they're paying the additional taxes. They're not going to go vote for that either. That scares me that that will go through in a New York minute by voters that have an interest in doing •• giving a Cadillac education, and I'll be careful how I word that.

What I wanted to say also is that, you're right, you can vote out the school board if you don't like what they're doing. And the school board, although I have seen school board members who really do care, however, being voted, when you were comparing the County budget and why the County budget doesn't go out, I think that all of us that vote on the County budget, this is what we do for a living and we're very, very careful. This is •• this is how we make our livelihood. We're very, very careful. Every single thing that we do we say, and as Legislator Lindsay knows, every single thing we do we say we cannot raise the taxes.

MR. KADEN:

And I think you underestimate most school board members.

LEG. NOWICK:

Well, I don't intend to underestimate the school board members, and I •• but somehow it's been happening and I don't know why. I don't know why the school budget goes up every year, and I guess the needs are such, but you did say that it doesn't happen in the County and that's because we are very careful. I don't know why it happens at the school, other than maybe it's unfunded mandates. I don't know why. But I would not want to put to the voters an additional chance at having a real property tax.

MR. KADEN:

The part that scares me most about having the Cadillac education, though, is all you're going to do is exacerbate a problem that's extreme already on Long Island. Great Neck will have a Cadillac education and Wyandanch won't, and that's not equity, that's grossly unfair on a county or regional basis. And that's exactly the type of situation I think that has to be avoided in these type of talks or you're going to kill poorer school districts.

CHAIRMAN LINDSAY:

Yes, sir.

MR. BIXHORN:

I think there's a fundamental principle that I don't think we're talking about moving away from, and that's that communities have the ability, have the responsibility to vote on their local budgets. They don't vote on a tax rate, they vote on the budget, which, in essence, is the school boards offering of the program that are going to be provided through the schools. So I can't imagine that we would be able to influence the educational system, or that we would want to necessarily influence the system to move away from annual public approval of a school district budget. Really, what we're talking about is the revenue side and whether the •• whether the funding for those programs comes from a property tax, or an income tax, or from some other tax. What the public approves when they go to the polls to vote on the school budget is the expenditure side, and I think that, you know, the school boards, as representatives of the communities, develop a budget and then annually the communities have an opportunity to speak to that budget. So I think the fundamental concept in the system really makes a lot of sense. It's the form of government that is closest to the people and the people have more to say in their school districts than virtually any other level of government, and I don't think we should be talking about moving away from that.

LEG. NOWICK:

But my fear is, like Legislator Lindsay said, if people don't have a reason to go out and vote, because they'll say •• people might say, taxpayers might say, "Why bother? My income tax is a certain percentage. I don't really have to vote." And my point is they're not voting now. You know the small percentage of people that are voting now. I don't see that they will be voting at that point. And that's •• it's a concern. That's just something we have to put on the con list and then we have the pro list.

CHAIRMAN LINDSAY:

Anybody else want to comment on this? And, you know, don't •• I don't want you guys to be defensive with this. This wasn't a shot at the school boards in any way, it's just what role, you know •• you know, you're taking •• the school boards have a great deal to say of what the property tax level is, or that's part of what you vote on with the school budget, it backs into it. If that isn't part of the equation, now we're deciding if the taxes raised on a statewide basis, it's more remote to hold the people that make that decision on what that tax rate should be, whereas now it's very local. I'm not suggesting that I have an answer to the •• to that problem, it's just something that you have to think about when you •• when you change from a property tax to an income tax. You know, but certainly change the dynamics of what we're used to here on Long Island dramatically, you know. Anybody else want to comment on that? No? Okay.

Pearl, do you have anything else to say? I find this very interesting. The one question I had, the 1.8 billion that you assumed we have to raise, that's the number that we raise now from homeowner property taxes?

DR. KAMER:

The residential portion of the property tax is 1.85 billion .

CHAIRMAN LINDSAY:

So, in your assumption is the industrial commercial base is still a real estate tax.

DR. KAMER:

Yes.

CHAIRMAN LINDSAY:

Okay. Bob Lipp.

DR. LIPP:

But her assumption also is second homeowners are implicit in that, too. So, if we were to adjust for that, as apparently would have to out east, then the analysis would be somewhat different.

DR. KAMER:

That's right.

DR. LIPP:

And, in addition, you know what would not be a bad idea, give you some homework, if you could like maybe sort the data by poorest to wealthiest district, and you could see, I bet you, how large the pot increases in tax generated for income in the poorer districts, which further shows the inequity on the renters. And one just last comment, as mentioned by Lisa Tyson about a half an hour ago, and as we brought up in our first meeting, one of the home runs that we could recommend is a very, very generous circuit breaker program.

DR. KAMER:

Bob, now that you're finished, you can sort it yourself by sorting the left most column.

DR. LIPP:

If you send me the table, I will do it. If you E•mail me the spread sheet, I will do it.

DR. KAMER:

I will E•mail you.

DR. LIPP:

Okay? I'll give you a card with my E•mail address. Actually, Mitch Pally has my E•mail address.

MS. TYSON:

Can we get that also? Could I get a copy of that, too?

DR. LIPP:

Well, okay. Well, talk to her. I would sort it and then send it to the entire group.

DR. KAMER:

I will be happy to E•mail the tables to anybody who gives me a business card.

CHAIRMAN LINDSAY:

Okay. I guess we've got enough problems spinning around to figure out if any of this is doable and ••

LEG. NOWICK:

Prostitution.

MR. BERNARD:

Here we go, back to the Bible.

CHAIRMAN LINDSAY:

Maybe we could talk about •• my staff gave me a bunch of dates, 12, 14, 15, and 16 and 19, and they've checked with Harvey Levinson. He could do it on the morning of the 14th if ••

MR. BERNARD:

Of June?

CHAIRMAN LINDSAY:

Of June, which would free up another whole session for us to try and get Mr. Mauro in and someone from the State Senate that would be familiar with the formulas. Yes?

LEG. NOWICK:

CEQ is here on the 14th. Maybe we can move them over somewhere else.

CHAIRMAN LINDSAY:

CEQ is meeting here?

LEG. NOWICK:

They're kind of small.

MR. PEARSALL:

Yeah, we can put them in the conference room.

CHAIRMAN LINDSAY:

Okay. How does that sound?

DR. KAMER:

No good for me. I have an LIA Board meeting that morning, so Mitch couldn't come either, we're both ••

MR. PEARSALL:

How about the afternoon of the 14th.

DR. KAMER:

Afternoon would be fine.

LEG. NOWICK:

How about the morning of the 15th?

DR. KAMER:

No, I've got a meeting.

CHAIRMAN LINDSAY:

Could you check with Harvey?

MR. PEARSALL:

He's available all that day.

CHAIRMAN LINDSAY:

Okay. The afternoon of the 14th?

DR. KAMER:

It's good.

CHAIRMAN LINDSAY:

Sound all right?

DR. KAMER:

Yeah. What time do you want?

CHAIRMAN LINDSAY:

One o'clock, would that be all right?

DR. KAMER:

Yeah.

CHAIRMAN LINDSAY:

One o'clock?

LEG. NOWICK:

Yeah, we'll make it that day.

CHAIRMAN LINDSAY:

Okay. Unless anybody has anything else to say, you know, I for one have more problems spinning in my head that I want to think about that I'm going to adjourn the meeting and ••

DR. KAMER:

Yeah. Do we meet here?

CHAIRMAN LINDSAY:

Yes, yes.

DR. KAMER:

Okay.

MS. TYSON:

Great.

MR. KOHLMAN:

I just want to caution people on the income tax side, not that I'm opposed to an income tax. It is •• I witness it every day. It is a very manageable number, the amount that people report as income. You know, the ones that are going to get most adversely impacted are the people that are working, teachers, people that are getting W•2's that have no ability to manage their income.

LEG. NOWICK:

There's a message there, big message.

CHAIRMAN LINDSAY:

You know, just something that I mentioned before, I think the minimum and maximum factors has to be taken, and that everybody has to pay something, and that there's a limit to what high earners can pay.

MR. KOHLMAN:

I'm not worried about the high earners, I'm worried about the people that should be paying a lot more income tax that are not. You know, I mean, when you have somebody that shows $36,000 a year in income and lives in a multi•million dollar house, there's something wrong. The income is underreported.

LEG. NOWICK:

He's got a good accountant.

CHAIRMAN LINDSAY:

Okay. Anybody else? Okay. Thank you all for coming.

[THE MEETING WAS ADJOURNED AT 11:17 A.M.]